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CIA-RDP90G01353R001300050001-6

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Declassified in Part - Sanitized Copy Approved for Release 2012/11/19 :  
CIA-RDP90G01353R001300050001-6

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Report to the President - Federal Managers' Financial Integrity Act

STAT FROM:

EXA/DDA  
7D24 Hqs

EXTENSION

NO.

DDA 88-2572

DATE

13 December 1988

DDA/REG  
LOGGED

STAT

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

Executive Registry  
7E12 Hqs

16 DEC 1988

2.

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EA/ExDir  
7D55 Hqs

20 DEC 1988

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Executive Director  
7D55 Hqs

20 DEC 1988

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3 DDCI

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EA/DCI

21 Dec. 12/24

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OCA  
7B24 Hqs

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to 9: See memo outlining process from EXA/DDA.

This is not a terribly useful process. It is nevertheless required by law. JT

This is not a terribly useful process. It is nevertheless required by law. JT

For mailing.

DCI  
EXEC  
REGDCI  
EXEC  
REG

MEMORANDUM FOR: Judge

Attached for your signature are letters to the President and the two Congressional Oversight Chairmen reporting that, based on written certification of responsible senior managers, the Agency, Intelligence Community Staff, and the Systems Integration Office (formerly NIESO) meet the requirements delineated in the Federal Managers' Financial Integrity Act of 1982. These are pro forma letters and you will recall you signed similar ones last year at this time.

21 December 1988

Date

FORM 101 USE PREVIOUS EDITIONS  
5-75

STAT

DDA 88-2572  
13 December 1988

DCI  
MEMORANDUM FOR: ~~Executive Assistant to the DCI~~ *LCR*

STAT  
FROM:

Executive Assistant to the DDA

SUBJECT: Agency Reporting Procedures - Federal Managers' Financial Integrity Act of 1982

1. The purpose of this memorandum is to outline the Agency process which resulted in the presentation to you of the report to the President and the Congress required by the Federal Managers' Financial Integrity Act of 1982. Such reporting concerns the effectiveness of the Agency's systems of internal accounting and administrative controls and accounting system conformance with the principles, standards, and related requirements prescribed by the Comptroller General.

2. Agency procedures for this process were as follows:

a. The Directors of the Intelligence Community Staff (ICS) and the Systems Integration Office (SIO) prepared statements which assessed the operation of internal accounting and administrative controls within their organization during the past fiscal year. These reports were submitted to the Deputy Director of Central Intelligence through the Inspector General (IG).

b. CIA Deputy Directors reported as in paragraph a. above except their submissions were to the Executive Director (EXDIR) through the Deputy Director for Administration (DDA). These reports were based upon submissions to the Deputy Directors from the chiefs of components within the Directorates.

c. The Director of Financial Management prepared a statement as to the proper recording and accounting for revenues and expenditures applicable to Agency operations. This statement was submitted to the EXDIR through the DDA.

d. The DDA accumulated the statements of the Deputy Directors, heads of independent offices, and the Director of Financial Management and forwarded these statements to the IG for review.

e. The IG reviewed the statements received from SIO, ICS, and the DDA and indicated concurrence based upon inspection and audit activities conducted during the past fiscal year.

~~ADMINISTRATIVE - INTERNAL USE ONLY~~

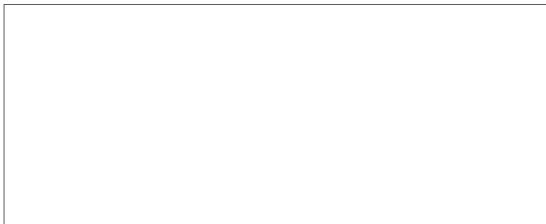
ADMINISTRATIVE - INTERNAL USE ONLY

SUBJECT: Agency Reporting Procedures - Federal Managers' Financial Integrity  
Act of 1982

3. I have attached copies of certifications from the IG, each of the Deputy Directors, the DCI area, ICS and SIO. Also attached are the letters to the President, Senator Boren, and Congressman Stokes for the DCI's signature. These are due by 31 December 1988.

STAT

Attachments:  
As Stated



~~SECRET~~

IG 88-1288  
8 December 1988

MEMORANDUM FOR: Deputy Director for Administration

FROM: William F. Donnelly  
Inspector General

SUBJECT: Reporting Required by the Federal Managers'  
Financial Integrity Act for Fiscal Year 1988

1. Forwarded herewith are the certifications from the Deputy Directors, heads of independent offices, the Intelligence Community Staff and the Systems Integration Office, as required by legislation. Each of these managers has assessed the internal controls in his organization and has provided written assurance that these controls are effective. I have reviewed these assurances in light of inspections, investigations, and audits conducted during FY 1988. My conclusions are contained below.

2. Based on the information available to me, I conclude that the internal accounting and other administrative control procedures of the Agency provide management with reasonable assurance that obligations and costs are in compliance with applicable law; that funds, property, and other assets are safeguarded against waste, unauthorized use, or misappropriation; and that revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over assets.

3. During FY 1988, my Office conducted a number of inspections of Agency components and special issues. The inspection reports generally included suggestions and recommendations for management improvements, but none of these identified any significant problems concerning Agency control systems and accountability.

4. The conclusions contained in paragraph two above are supported by the annual report of the Deputy Inspector General for Audit. He states that in FY 1988 the Audit Staff conducted 80 audits out of a universe of 226 auditable entities. The audit reports contained 181 formal recommendations, a substantial number of which were resolved during the process of the audit. Of the 181 formal recommendations, 156 concerned

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DECL OADR

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compliance with regulatory requirements, while six were directed toward more economical or efficient ways of achieving results, and 19 involved policy matters. All of the recommendations have been addressed in responses from the entities audited. Steps have been taken to implement the recommendations or alternative action has been proposed to achieve the desired results. We identified a number of areas in which existing controls needed some strengthening. However, we did not identify any compliance issues that could not be corrected by applying existing Agency control mechanisms properly.

5. Based on the above, I recommend that a negative report be prepared and sent to the President and our Oversight Committees as required by the Federal Managers' Financial Integrity Act of 1982.

STAT

William F. Donnelly

Attachment:  
As stated

~~Regrade as CONFIDENTIAL when~~  
~~separated from Attachment.~~

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DECL    OADR

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DDA 88-2458 /1  
30 NOV 1988



MEMORANDUM FOR: Executive Director

FROM: R. M. Huffstutler  
Deputy Director for Administration

SUBJECT: Federal Managers' Financial Integrity Act

REFERENCE:  Internal Accounting and Administrative  
Control Systems

STAT

1. As required by reference, I have made an assessment of the operation of the internal accounting and administrative controls for all activities for which I am responsible.

2. In making that assessment, I have given full consideration, as required by paragraph e(1)(a) of reference, to the substance of findings of internal management reviews, staff reporting, audit or inspection reports received during the year, and of reported preliminary findings of significance from reviews, audits, or inspections of process. Particular attention has been given to any findings relating to:

a. alleged waste, loss, unauthorized use, or misappropriation of resources; and

b. activities or proposed activities perceived to raise possible question of compliance with law, Executive Order, or regulation, or that may otherwise appear improper.

3. None of the findings resulted in identification of a control weakness of sufficient materiality to warrant reporting as a material weakness in internal accounting and administrative controls.

4. Based upon the foregoing, I make the following certification:

"To the best of my knowledge, the activities taking place during FY-1988 within the Directorate of Administration have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective."

STAT

R. M. Huffstutler



ADMINISTRATIVE - INTERNAL USE ONLY



15 NOV 1988

MEMORANDUM FOR: Executive Director

VIA: Deputy Director for Administration

FROM: Richard J. Kerr  
Deputy Director for Intelligence

SUBJECT: Federal Managers' Financial Integrity Act

REFERENCE:  Internal Accounting and Administrative  
Control Systems

1. As required by reference, I have had an assessment made of the operation of the internal accounting and administrative controls for all activities for which I am responsible.

2. In making that assessment, I asked that full consideration, as required by paragraph e(1)(a) of reference be given to the substance of findings of internal management reviews, staff reporting, audit or inspection reports received during the year, and of reported preliminary findings of significance from reviews, audits, or inspections in process. Particular attention was to be given to any findings related to:

- a. Alleged waste, loss, unauthorized use, or misappropriation of resources, and
- b. Activities or proposed activities perceived to raise possible question of compliance with law, Executive Order, or regulation or that may otherwise appear improper.

3. Based upon the foregoing, I make the following certification:

"To the best of my knowledge, the activities taken place during FY88 within the Directorate of Intelligence have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective."

Richard (J.) Kerr

S E C R E T

22 NOV 1988

MEMORANDUM FOR: Executive Director

VIA: Deputy Director for Administration

FROM: Richard F. Stolz  
Deputy Director for Operations

SUBJECT: Federal Managers' Financial Integrity Act

REFERENCE: [ ] Internal Accounting and  
Administrative Control Systems

1. As required by reference I have assessed the operation of the internal accounting and administrative controls for all activities for which I am responsible. During FY 1988 certain weaknesses were detected [ ]

[ ] Also problems were found with the structure and application of administrative plans and fiscal annexes providing internal accounting controls. In both instances, the problems have been corrected and appropriate internal accounting and administrative controls confirmed.

2. To the best of my knowledge, the activities taking place during FY 1988 within the Directorate of Operations have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective.

[ ]  
Richard F. Stolz

S E C R E T

CONFIDENTIAL

COMPT 88-1782

7 November 1988

MEMORANDUM FOR: Executive Director

VIA: Deputy Director for Administration

FROM: Leo Hazlewood  
Comptroller

SUBJECT: Federal Managers' Financial Integrity Act

REFERENCE:  Internal Accounting and Administrative Control  
Systems

1. As required under  I have assessed the operation of the internal accounting and administrative controls for all activities for which I am responsible.

2. In making that assessment, I have given full consideration, as required by paragraph e(1) (a) of reference, to the substance of findings of internal management reviews, staff reporting, audit or inspection reports received during the year, and of reported preliminary findings of significance from reviews, audits, or inspections in process. Particular attention has been given to any findings relating to:

- Alleged waste, loss, unauthorized use, or misappropriation of resources.
- Activities or proposed activities perceived to raise possible question of compliance with law, Executive Order, or regulation or that may otherwise appear improper.

3. None of the findings identified of a material weakness in internal accounting and administrative controls.

**CONFIDENTIAL**

4. Accordingly, I certify that:

To the best of my knowledge, the activities taking place during FY 1988 within the Office of the Comptroller have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective.

Leo Hazlewood

25X1  
STAT

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DDA SUBJECT FILE COPY


DS&T-1035-88

27 OCT 1988

MEMORANDUM FOR: Executive Director  
THROUGH: Deputy Director for Administration  
FROM: R. E. Hineman  
Deputy Director for Science and Technology  
SUBJECT: Federal Managers' Financial Integrity Act

To the best of my knowledge, the activities taking place during FY-88 within the Directorate of Science and Technology have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective.

STAT

  
for R. E. Hineman

30-12



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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC 03274-88  
15 November 1988

MEMORANDUM FOR: Executive Director

VIA: Deputy Director for Administration

FROM: David D. Gries, Vice Chairman

SUBJECT: Federal Managers' Financial Integrity Act

REFERENCE:  Internal Accounting and Administrative Control  
Systems

1. As required by reference, I have made an assessment of the operation of the internal accounting and administrative controls for all activities for which I am responsible.

2. In making that assessment, I have given full consideration, as required by paragraph e(1)(a) of reference, to the substance of findings of internal management reviews, staff reporting, audit or inspection reports received during the year, and of reported preliminary findings of significance from reviews, audits, or inspections in process. Particular attention has been given to any findings relating to:

(a) Alleged waste, loss, unauthorized use, or misappropriation of resources, and

(b) Activities or proposed activities perceived to raise possible question of compliance with law, Executive Order, or regulation or that may otherwise appear improper.

3. None of the findings resulted in identification of a control weakness of sufficient materiality to warrant reporting as a material weakness in internal accounting and administrative controls.

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ADMINISTRATIVE - INTERNAL USE ONLY

4. Based upon the foregoing, I make the following certification:

"To the best of my knowledge, the activities taking place during FY-88 within the National Intelligence Council have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective."

STAT

David D. Grees

Distribution:

- 1 - Addressee
- 1 - DCI/AO
- 1 - NIC/AO

ADMINISTRATIVE - INTERNAL USE ONLY

15 November 1988

MEMORANDUM FOR: Executive Director

THROUGH: Deputy Director for Administration

FROM: Director of Congressional Affairs

SUBJECT: Federal Managers' Financial Integrity Act

REFERENCE:  Internal Accounting and  
Administrative Control Systems

1. As required by reference, I have made an assessment of the operation of the internal accounting and administrative controls for all activities for which I am responsible.

2. In making that assessment, I have given full consideration, as required by paragraph e(1)(a) of reference, to the substance of findings of internal management reviews, staff reporting, audit or inspection reports received during the year, and of reported preliminary findings of significance from reviews, audits, or inspections in process. Particular attention has been given to any findings relating to:

- (a) Alleged waste, loss, unauthorized use, or misappropriation of resources, and
- (b) Activities or proposed activities perceived to raise possible question of compliance with law, Executive Order, or regulation or that may otherwise appear improper.

3. None of the findings resulted in identification of a control weakness of sufficient materiality to warrant reporting as a material weakness in internal accounting and administrative controls.

4. Based upon the foregoing, I make the following certification:

To the best of my knowledge, the activities taking place during FY88 within the Office of Congressional Affairs have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective.



C O N F I D E N T I A L

23 NOV 1988

MEMORANDUM FOR: Executive Director

THROUGH: Deputy Director for Administration

FROM: Russell J. Bruemmer  
General Counsel

SUBJECT: Federal Managers' Financial Integrity Act

REFERENCE:  Internal Accounting and  
Administrative Control Systems

25X1

1. As required by reference, I have made an assessment of the operation of the internal accounting and administrative controls for all activities for which I am responsible.

2. In making that assessment, I have given full consideration, as required by paragraph e(1) (a) of reference, to the substance of findings of internal management reviews, staff reporting, audit or inspection reports received during the year, and of reported preliminary findings of significance from reviews, audits, or inspections in process. Particular attention has been given to any findings relating to:

(a) Alleged waste, loss, unauthorized use, or misappropriation of resources, and

(b) Activities or proposed activities perceived to raise possible question of compliance with law, Executive Order, or regulation or that may otherwise appear improper.

3. None of the findings resulted in identification of a control weakness of sufficient materiality to warrant reporting as a material weakness in internal accounting and administrative controls.

C O N F I D E N T I A L

4. Based upon the foregoing, I make the following certification:

To the best of my knowledge, the activities taking place during FY88 within the Office of General Counsel have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective."

STAT

Russell O. Bruemmer

CONFIDENTIAL

IG 88-1160  
14 November 1988

MEMORANDUM FOR: Executive Director

FROM: William F. Donnelly  
Inspector General


SUBJECT: Federal Managers' Financial Integrity Act

25X1 REFERENCE:

25X1 1. As required by  I have reviewed the internal accounting and administrative controls for all activities for which I am directly responsible. To the best of my knowledge, the activities undertaken by the Office of the Inspector General in FY 1988 have been approved and conducted in accordance with law and Agency regulations.

2. Our obligations are valid and supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. In my judgment, all activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are in effect and they are sound.

25X1 3. During the course of the year, our inspections and audits have focused on various problems in other components of the Agency that might bear on  Any issues that may have been raised during the inspections and audits have been pursued with the appropriate components.

STAT   
William F. Donnelly 

All portions  
classified CONFIDENTIAL.

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CONFIDENTIAL

16 November 1988

MEMORANDUM FOR: Executive Director

THROUGH: Deputy Director for Administration

25X1 FROM:   
Administrative Officer, DCI

25X1 SUBJECT:  Internal Accounting and Administrative Control  
Systems

1. As required by reference, I have made an assessment of the operation of the internal accounting and administrative controls for all activities for which I am responsible.

2. In making that assessment I have given full consideration, as required by paragraph e(1)(a) of reference, to the substance of findings of internal management reviews, staff reporting, audit or inspection reports received during the year, and of reported preliminary findings of significance from reviews, audits, or inspections in process. Particular attention has been given to any findings relating to:

(a) Alleged waste, loss, unauthorized use, misappropriation of resources, and

(b) Activities or proposed activities perceived to raise possible question of compliance with law, Executive Order, or regulation or that may otherwise appear improper.

3. None of the findings resulted in identification of a control weakness of sufficient materiality to warrant reporting as a material weakness in internal accounting and administrative controls.



CONFIDENTIAL

**CONFIDENTIAL**

25X1 SUBJECT:  Internal Accounting and Administrative Control Systems

4. Based upon the foregoing, I make the following certification:

"To the best of my knowledge, the activities taking place during FY 88 within Office of the Director Central Intelligence have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective."

25X1

25X1

**CONFIDENTIAL**

CONFIDENTIAL

9 November 1988

MEMORANDUM FOR: Executive Director

THROUGH: Deputy Director for Administration

FROM: Director, Public Affairs Office

SUBJECT: Federal Managers' Financial Integrity Act

REFERENCE:  Internal Accounting and Administrative  
Control Systems

1. As required by reference, I have made an assessment of the operation of the internal accounting and administrative controls for all activities for which I am responsible.

2. In making that assessment, I have given full consideration, as required by paragraph e(1) (a) of reference, to the substance of findings of internal management reviews, staff reporting, audit or inspection reports received during the year, and of reported preliminary findings of significance from reviews, audits, or inspections in process. Particular attention has been given to any findings relating to:

(a) Alleged waste, loss, unauthorized use, or misappropriation of resources, and

(b) Activities or proposed activities perceived to raise possible question of compliance with law, Executive Order, or regulation or that may otherwise appear improper.

3. None of the findings resulted in identification of a control weakness of sufficient materiality to warrant reporting as a material weakness in internal accounting and administrative controls.

CONFIDENTIAL

CONFIDENTIAL

4. Based upon the foregoing, I make the following certification:

To the best of my knowledge, the activities taking place during FY 88 within the Public Affairs Office have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective."

STAT

Director, Public Affairs

CONFIDENTIAL

Central Intelligence Agency



Washington, D.C. 20505

30 DEC 1988

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

As required by the Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255), this is my report to you on the systems of internal accounting and administrative controls of the Central Intelligence Agency (CIA), the Intelligence Community Staff (ICS), and the Systems Integration Office (SIO) in effect for Fiscal Year 1989.

An evaluation of these systems was performed in reasonable accordance with the guidelines issued by the Office of Management and Budget. Senior officials in reporting the results of their respective evaluations were required to also evaluate the substance of findings of internal management reviews, staff reporting, and audit or inspection reports. No material weakness in Agency systems of internal accounting and administrative controls was identified in any of these evaluations.

I am satisfied based upon the written certifications of responsible senior officials and evaluations of the findings of inspections and audits by the Office of the Inspector General that the CIA, ICS, and SIO systems of internal accounting and administrative controls provide reasonable assurance that:

- (a) obligations and costs comply with applicable law;
- (b) all assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and
- (c) revenues and expenditures applicable to Agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.



The President

I further report to you that, to the best of my knowledge based upon the evaluation and written assurance of the responsible senior official, the accounting system of the Agency, which also supports ICS and SIO, substantially conforms with the principles, standards, and requirements prescribed by the Comptroller General.

Statements similar to this one are being provided to the Chairmen of the Senate Select Committee on Intelligence and the House Permanent Select Committee on Intelligence.

Sincerely yours,

/s/

William H. Webster  
Director of Central Intelligence

Central Intelligence Agency



Washington, D.C. 20505

30 DEC 1988

The Honorable David L. Boren  
Chairman  
Select Committee on Intelligence  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

As required by the Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255), this is my report to you on the systems of internal accounting and administrative controls of the Central Intelligence Agency (CIA), the Intelligence Community Staff (ICS), and the Systems Integration Office (SIO) in effect for Fiscal Year 1988.

An evaluation of these systems was performed in reasonable accordance with the guidelines issued by the Office of Management and Budget. Senior officials in reporting the results of their respective evaluations were required to also evaluate the substance of findings of internal management reviews, staff reporting, and audit or inspection reports. No material weakness in Agency systems of internal accounting and administrative controls was identified in any of these evaluations.

I am satisfied based upon the written certifications of responsible senior officials and evaluations of the findings of inspections and audits by the Office of the Inspector General that the CIA, ICS, and SIO systems of internal accounting and administrative controls provide reasonable assurance that:

- (a) obligations and costs comply with applicable law;
- (b) all assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and
- (c) revenues and expenditures applicable to Agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.

The Honorable David L. Boren

I further report to you that, to the best of my knowledge based upon the evaluation and written assurance of the responsible senior official, the accounting system of the Agency, which also supports ICS and SIO, substantially conforms with the principles, standards, and requirements prescribed by the Comptroller General.

Statements similar to this one are being provided to The President and the Chairman of the House Permanent Select Committee on Intelligence.

Sincerely yours,

/s/

William H. Webster  
Director of Central Intelligence

ER 88-4592

Central Intelligence Agency



Washington, D.C. 20505

30 DEC 1988

The Honorable Louis Stokes  
Chairman  
Permanent Select Committee on Intelligence  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

As required by the Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255), this is my report to you on the systems of internal accounting and administrative controls of the Central Intelligence Agency (CIA), the Intelligence Community Staff (ICS), and the Systems Integration Office (SIO) in effect for Fiscal Year 1988.

An evaluation of these systems was performed in reasonable accordance with the guidelines issued by the Office of Management and Budget. Senior officials in reporting the results of their respective evaluations were required to also evaluate the substance of findings of internal management reviews, staff reporting, and audit or inspection reports. No material weakness in Agency systems of internal accounting and administrative controls was identified in any of these evaluations.

I am satisfied based upon the written certifications of responsible senior officials and evaluations of the findings of inspections and audits by the Office of the Inspector General that the CIA, ICS, and SIO systems of internal accounting and administrative controls provide reasonable assurance that:

- (a) obligations and costs comply with applicable law;
- (b) all assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and
- (c) revenues and expenditures applicable to Agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.

The Honorable Louis Stokes

I further report to you that, to the best of my knowledge based upon the evaluation and written assurance of the responsible senior official, the accounting system of the Agency, which also supports ICS and SIO, substantially conforms with the principles, standards, and requirements prescribed by the Comptroller General.

Statements similar to this one are being provided to The President and the Chairman of the Senate Select Committee on Intelligence.

Sincerely yours,

/s/

William H. Webster  
Director of Central Intelligence

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Central Intelligence Agency



Washington, D.C. 20505

**The President  
The White House  
Washington, DC 20500**

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Central Intelligence Agency



Washington, D. C. 20505

The Honorable David L. Boren  
Chairman  
Select Committee on Intelligence  
United States Senate  
Washington DC 20510

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Central Intelligence Agency



Washington, D. C. 20505

The Honorable Louis Stokes  
Chairman  
Permanent Select Committee on Intelligence  
House of Representatives  
Washington DC 20515

Declassified in Part - Sanitized Copy Approved for Release 2012/11/19 : CIA-RDP90G01353R001300050001-6



**SUBJECT: Report to The President**

STAT

C/PES,  (Dec 2 88)

**Distribution:**

- Orig. - Addressee
- 2 - DDA
- 1 - Executive Registry
- 1 - IG
- 1 - OCA
- 1 - D/OFM
- 1 - C/PES/OFM

Financial Integrity Act of 1982

INSPECTOR GENERAL

88-1126

**FROM:**

## EXTENSION

**NO.**

DATE \_\_\_\_\_

5 October 1988

**TO:** (Officer designation, room number, and building)

DATE \_\_\_\_\_

OFFICER'S  
INITIALS/

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

RECEIVED OCT 1988

OFFICER'S  
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DDCI  
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OFFICER'S  
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FORM 1-79 **610** USE PREVIOUS EDITIONS

~~DCU~~  
EXEC  
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PCI  
EXERCISE  
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E-104-1R

ADMINISTRATIVE — INTERNAL USE ONLY

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Federal Manager's Financial Integrity Act

STAT <input type="text"/>		EXTENSION		NO. <i>OF 0330-88</i>
Executive Director				
STAT 7-E-12 Headquarters Building				DATE 15 November 1988
TO: (Officer designation, room number, and building)	DATE		OFFICER'S INITIALS	<p><i>Dan - Fine package. I would have been happy to sign except for the dates - This is Thursday AM and the reports are due Sunday!</i></p>
	RECEIVED	FORWARDED		
1. Director, Public Affairs Office 7-D-00 HQS				
2.				
3. Comptroller 7-C-21 HQS				
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5. Director of Congressional Affairs 7-D-43 HQS				
6.				
7. General Counsel				
8.				
9. Inspector General 6-E-08 HQS				
10.				
11. Deputy Director for Science and Technology 6-E-60 HQS				
12.				
13. Deputy Director for Operations 7-E-22 HQS				
14. Deputy Director for Intelligence 7-E-44 HQS				
15. Deputy Director for Administration 7-D-24 HQS				

Dan:

Fine package. I would have been happy to sign except for the dates--this is Thursday a.m. and the reports are due Sunday!

DOI  
EXEC  
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L-104-1R

ADMINISTRATIVE — INTERNAL USE ONLY

ADMINISTRATIVE - INTERNAL USE ONLY

OF-0330-88

MEMORANDUM FOR: Deputy Director for Administration  
Deputy Director for Intelligence  
Deputy Director for Operations  
Deputy Director for Science and Technology  
Inspector General  
General Counsel  
Director of Congressional Affairs  
Comptroller  
Director, Public Affairs Office

FROM: Executive Director

SUBJECT: Federal Manager's Financial Integrity Act

1. The purpose of this memorandum is to alert you to the annual reporting requirements prescribed by the Financial Integrity Act in which the Director of Central Intelligence must report to the President and the Congress on:

-- the effectiveness of the Agency's system of internal accounting and administrative controls; and,

-- whether the Agency's accounting system conforms to the principles and standards prescribed by the Comptroller General.

It also establishes more rigorous internal review and reporting procedures.

2. Agency regulations  set forth internal procedures for responding to these statutory requirements. The regulation requires Deputy Directors and Heads of Independent Offices to assess their financial and administrative controls, and certify that activities under their purview have been managed effectively and are in compliance with existing laws and regulations. It also requires you to report any material weaknesses or misappropriation of resources found during this review.

STAT

ADMINISTRATIVE - INTERNAL USE ONLY

**SUBJECT: Federal Manager's Financial Integrity Act**

3. In the past, this process has been conducted informally through your senior support staffs. Considering the heightened Congressional interest in the integrity of our operations, as well as the Director's concerns in this area, we need to approach this year's review more systematically than in the past and involve senior managers at the outset. I urge each of you to charge your staff personally with this requirement, and to examine the results carefully before making your certification. I also urge that you be forthcoming in identifying any shortfalls discovered during the review, as well as solutions to remedy them.

4. Your certifications are due to me by 20 November. I will forward them to the Director of Central Intelligence with my recommendations, through the Inspector General and the Deputy Director of Central Intelligence.

STAT



## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Federal Managers' Financial Integrity Act


 FROM: Leo Hazlewood  
 Comptroller  
 7C21 HQS

EXTENSION

NO. COMPT 88-1782

DATE 7 November 1988

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

RECEIVED      FORWARDED

 1. DDA  
 7D24 HQS

9 NOV 1988

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 3. Exec Registry  
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 5. Executive Director  
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L-104-R

CONFIDENTIAL

COMPT 88-1782

7 November 1988

MEMORANDUM FOR: Executive Director

VIA: Deputy Director for Administration

FROM: Leo Hazlewood  
Comptroller

SUBJECT: Federal Managers' Financial Integrity Act

REFERENCE: [ ] Internal Accounting and Administrative Control  
Systems

1. As required under [ ] I have assessed the operation of the internal accounting and administrative controls for all activities for which I am responsible. [ ]

2. In making that assessment, I have given full consideration, as required by paragraph e(1) (a) of reference, to the substance of findings of internal management reviews, staff reporting, audit or inspection reports received during the year, and of reported preliminary findings of significance from reviews, audits, or inspections in process. Particular attention has been given to any findings relating to:

- Alleged waste, loss, unauthorized use, or misappropriation of resources.
- Activities or proposed activities perceived to raise possible question of compliance with law, Executive Order, or regulation or that may otherwise appear improper. [ ]

3. None of the findings identified of a material weakness in internal accounting and administrative controls. [ ]

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**CONFIDENTIAL**

4. Accordingly, I certify that:

To the best of my knowledge, the activities taking place during FY 1988 within the Office of the Comptroller have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective.

**Leo Hazlewood**

25X1  
STAT

**CONFIDENTIAL**



**SUBJECT: Federal Managers' Financial Integrity Act**

**Distribution:**

**Orig - Executive Director**  
**- Exec Registry**  
**- Compt Subject**  
**- Compt/DCompt**  
**- C/BMG**

STAT

**Comptroller:LHazlewood:tlw:**  **(8 Nov 88) (Compt 88-1782) (DCompt**

STAT

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM: R. E. Hineman  
DDS&T  
6E60 Hqs.

EXTENSION

NO. DS&amp;T-1035-88

DATE 27 OCT 1988



TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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1. DDA  
7D18 Hqs.

2 NOV 1988

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DS&T-1035~~X~~88  
27 OCT 1988

MEMORANDUM FOR: Executive Director  
THROUGH: Deputy Director for Administration  
FROM: R. E. Hineman  
Deputy Director for Science and Technology  
SUBJECT: Federal Managers' Financial Integrity Act

To the best of my knowledge, the activities taking place during FY-88 within the Directorate of Science and Technology have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective.

STAT



*for* R. E. Hineman



ADMINISTRATIVE - INTERNAL USE ONLY

L-104-IR

SECRET

88-1170

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Federal Manager's Financial Integrity Act Annual Certification

FROM:

Director, Systems Integration  
Office  
GB31 HQ

EXTENSION

NO.

SIO 88-0113

DATE

17 OCT 88

TO: (Officer designation, room number, and building)

DATE

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OFFICER'S  
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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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U.S. Government Printing Office: 1989-634-634/63186

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SIO 88-0113

**INSPECTOR GENERAL**  
88-1170

17 October 1988

MEMORANDUM FOR: Deputy Director of Central Intelligence

VIA: Inspector General

FROM: [REDACTED]

Director, Systems Integration Office

SUBJECT: Federal Manager's Financial Integrity Act  
Annual Certification

REFERENCE: [REDACTED]

Internal Accounting and  
Administrative Control DirectiveBelow is my certification in accordance with Headquarters  
Regulation [REDACTED]

"To the best of my knowledge, the activities taking place during FY 1988 within the Systems Integration Office have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner. Internal accounting and administrative controls are operational and effective."

[REDACTED]



SECRET

1-104-15

SUBJECT: Federal Manager's Financial Integrity Act Annual  
Certification

STAT

STAT

SIO/B&F  jd/gcj:  (12 Oct 88)

Distribution:

- CY 1 - Addressee
- CY 2 - IG
- CY 3 - Executive Registry
- CY 4 - D/SIO
- CY 5 - B&F
- CY 6 - SIO Chrono
- CY 7 - Compt Chrono
- CY 8 - SIO Registry

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## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Financial Integrity Act of 1982

FROM:

D/ICS

EXTENSION

NO.

ICS 6390-88

DATE

5 October 1988

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Financial Integrity Act of 1982

INSPECTOR GENERAL

FROM:

EXTENSION

NO.

88-1126

D/ICS

DATE

5 October 1988

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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FORM 1-79

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Financial Integrity Act of 1982

FROM:

D/ICS

EXTENSION

NO.

DATE

5 October 1988

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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L-104-1R

Director  
Intelligence Community Staff  
Washington, D.C. 20505

ICS 6390-88  
5 October 1988

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence  
Inspector General, Central Intelligence Agency

SUBJECT: Financial Integrity Act of 1982

REFERENCE: A. PL 97-255 dated 8 September 1982  
B.  dated 21 June 1985  
C. Memo from Inspector General dated 7 December 1983, same subject  
D. OMB memo 85-5 dated 22 October 1984, subject: "Second-Year Implementation of the Financial Integrity Act"

In accordance with Section 2 of the Federal Manager's Integrity Act of 1982, I have reviewed the internal accounting and administrative controls for the Intelligence Community Staff (ICS) for the fiscal year that ended on 30 September 1988. Within the IC Staff, I have limited the number of persons with authority to approve resource expenditures to the highest practicable level, which I believe strengthens the internal control system of checks and balances. I believe the IC Staff to be in reasonable compliance with the standards prescribed by the Comptroller General for accounting, auditing, and internal accounting and administrative control systems. To the best of my knowledge, the activities that took place during FY 1988 within the IC Staff have been appropriately approved and carried out in accordance with law and Agency regulations. Obligations are valid and are supported in accordance with Agency regulations. Expenditures have been properly approved. Due care has been exercised to protect resources from misuse and misappropriation. Activities have been managed in an efficient and effective manner, and the internal accounting and administrative controls are operational and effective.

Lieutenant General, USAF

All portions of this  
memorandum are UNCLASSIFIED

SUBJECT: Financial Integrity Act of 1982

DISTRIBUTION: ICS No. 6390-88

Original - Addressee

1 - DDCI (EXEC Registry File)

1 - IG/CIA

1 - D/ICS

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1 - ICS/REG

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3 October 1988



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

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October 15, 1984

22 OCT 1984

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M-85-5

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: JOSEPH R. WRIGHT, JR.  
DEPUTY DIRECTOR

SUBJECT: Second-Year Implementation of the Financial Integrity Act

*Joseph R. Wright, Jr.*

Attached is a summary of GAO expectations for second-year implementation of the Federal Managers Financial Integrity Act. The summary was prepared as guidance to the GAO staff for use in assessing the progress made by individual agencies. It was furnished to us by the Comptroller General.

As you know, OMB has been working closely with GAO to ensure early and full implementation of the Act. Our partnership with GAO has the objective of achieving fundamental changes in the way the government operates. We too have high expectations for real accomplishments in upgrading and strengthening systems of internal control and financial management. Under the Administration's Management Improvement Program: Reform '88, this effort coupled with numerous other broad-based management reforms is expected to result in a modernized, efficient government that operates in a business-like manner.

Your continued full support of the efforts in your agency to meet the expectations described in the attached summary is needed to ensure that the management reform objectives are realized at the earliest possible time.

Attachment



GAO Expectations for Agencies'  
Implementation of the Federal Managers'  
Financial Integrity Act - Year 2

The first year's implementation of the Federal Managers' Financial Integrity Act has been characterized as a learning experience--from not only the perspective of the federal agencies, but also GAO as well. The process steps required by the legislation, let alone the results that could be expected, were new to many.

For the second year, GAO expects considerably more progress, and we have specified a set of expectations as to what each federal agency should reasonably be able to accomplish as a basis for the assurances supporting their required second year reporting. These second-year expectations are based on what we have learned as a result of our prior experience with internal control and accounting systems in the federal government, our evaluation of the first year's implementation of the act, and specific "baseline" information we developed on each of the 22 agencies during the first year review. They reflect GAO's view that the problems that gave rise to this legislation will not be solved overnight, and therefore we cannot realistically expect full implementation this year. On the other hand, these expectations also reflect our view that it is reasonable for agencies, as a basis for their second year reporting, to begin to demonstrate that effective systems are in place and working, or that significant, cost beneficial improvements in internal controls and accounting systems are being made as a result of this legislation.

GAO's expectations for agencies' second year efforts to implement the act are divided into two groups; one for the act's section 2 requirements (internal controls), and one for the act's section 4 requirements (accounting systems). Annual statements are required for each of these two sections. In addition, while federal agencies have had OMB's final guidelines to direct their required section 2 evaluations since December 1982, the OMB guidance to date concerning their section 4 efforts consists of the OMB September 1983 draft guidelines and several meetings to describe its expectations.

The GAO expectations should be used as "benchmarks" against which to measure agency progress at the end of the second year. The expectations should not be viewed as hard and fast standards. Rather, when evaluating an agency's second year performance, they should be used, along with the progress and problems encountered during the first year, to judge the "reasonableness" of agency progress. Thus, an agency whose performance fails to meet these benchmarks may still be judged to be "reasonable" based on that agency's first year problems or other extenuating circumstances.

Section 4 Exp tations

GAO expects that as a basis for their second annual statement required by section 4 of the act, agencies should have:

1. Developed and validated a complete inventory of accounting systems.
2. Documented their overall accounting systems' structure.
3. Developed a reasonable approach to evaluating their accounting systems' conformance with principles, standards, and related requirements (including appropriate testing of system operation).
4. Evaluated their accounting systems' compliance with GAO's principles, standards and related requirements, or at least demonstrated meaningful progress in evaluating their major systems.
5. Made a concerted effort to identify significant instances of noncompliance, or determined that their accounting systems comply, as a result of accounting system evaluations conducted this year (not merely listing known instances of noncompliance identified in GAO or IG reports).
6. Substantially completed corrective actions for instances of noncompliance identified in the first year (i.e., demonstrated significant accounting system improvements). In the event that corrective actions are of a long term nature, initiated major systems upgrade projects that are likely to correct identified problems.
7. Developed reasonable short-term and long-term plans to bring any instances of significant accounting system noncompliance into conformance with requirements.

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Next 4 Page(s) In Document Denied

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83-954

7 DEC 1983

MEMORANDUM FOR: Director, Intelligence Community Staff

FROM: James H. Taylor  
Inspector General

SUBJECT: Federal Managers' Integrity Act of 1982

1. In compliance with the subject Act, the Director must submit a report to the President no later than 31 December 1983, on the effectiveness of the systems of internal accounting and administrative controls for the Intelligence Community Staff.

STAT . 2. It is contemplated that the annual reports to the President will be supported by equivalent statements from the head of each major organizational component. To that end the Director on 29 November 1983, approved publication of a Headquarters Notice (copy attached--publication as [ ] is in process) which prescribes the policies, procedures and responsibilities for compliance with the Act. That notice in paragraph 5d(1) describes the requirements for a statement, to be signed by you, assessing the operation of internal accounting and administrative controls within your staff at the close of each fiscal year.

3. In future years such statements are to be submitted to the Deputy Director of Central Intelligence through the Inspector General no later than 30 November. I regret the short notice to you of the requirement, but this year it is requested that your statement be submitted no later than 16 December 1983, in order to provide an equally short interval of time for review and preparation of the Director's composite report to the President.

STAT 4. I will be glad to consult with you should you have any question about this requirement.

[ ]  
James H. Taylor

Attachment As Stated

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